

28 March 1966

NOTE FOR: JSW

In re, attached is GSA bulletin and Compt-Gen's decision on Automatic Data Processing sent to us by Joe Becker.

1. Now that the Brooks Bill (PL 89-306) is law, I imagine Ollie Pagan should be in receipt of this material for OGC. *OK.*

2. Briefly what appears to be involved here is that GSA in an effort to reduce the rental costs of certain ADP equipment has obtained the Compt-Gen's approval for a unique lease back purchase agreement. Although the Compt-Gen does not endorse all of the imaginative legal reasoning proposed by GSA, it does pave the way for an agency to, in essence, negotiate with a "leasing firm" to exercise with IBM the Government's "non-assignable option" to purchase presently leased IBM/ADP equipment. The Government would then lease from the "leasing firm" the same equipment formerly leased from IBM at a cost substantially less than the rental paid IBM.

3. Of interest from the legislative side is the concluding paragraphs of the Compt-Gen's decision that one of the prime purposes of the Brooks Bill was to place in the hands of the administrator of GSA the ability to make decisions on over-all Government, based on the question of whether ADP equipment should be leased or purchased. This legislative history is against GSA relying on the findings of individual agencies "who usually have little or no knowledge of the needs of other agencies ... (which) ... very often results in leasing when the best interest of the Government would be served by purchasing."

4. Despite this *6* ~~opiter~~ dicta the attached GSA bulletin appears to be requesting the agencies to play the principal role in making such determinations.

5. Security considerations would seem to be one aspect of Agency consideration on taking advantage of what looks to be a substantially less costly rental arrangement for ADP equipment. This is because the "leasing firm" would now be the guarantors of maintenance, etc.



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